Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 4936
October 7, 2022

To All Shareholders

AXXZIA Inc.
35F Shinjuku Sumitomo Building
2-6-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
President: Dan Taku

Notice of Convocation of the 11th Ordinary General Meeting of Shareholders

Dear Sir or Madam, we would like to sincerely thank you for your continued support.

Notice is hereby given that the 11th Ordinary General Meeting of Shareholders of AXXZIA Inc. ("the Company") will be held as follows.

Due to concerns about the spread of COVID-19, we ask that you consider refraining from coming to the venue on the day of the meeting as a precautionary measure against infection.

In lieu of attending the meeting, you may exercise your voting rights in writing or via the Internet. After reviewing the Reference Documents for the General Meeting of Shareholders below, please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form either by returning the form or entering your approval or disapproval of the proposals on the voting website designated by the Company (https://evote.tr.mufg.jp/). You are kindly requested to exercise your voting rights by 7:00 p.m. on Friday, October 21, 2022.

Yours sincerely.

1. Date & time: Oct. 24, 2022 (Mon.) at 2:00 p.m. (reception starts: 1:30 p.m.)

2. Place Nishiki, Keio Plaza Hotel South Building 4F,
2-2-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
(Please refer to the map at the end of this notice.)

3. Purpose

Items to be reported

1. Business Report and Consolidated Financial Statements for the 11th Fiscal Year (from August 1, 2021, to July 31, 2022) and Report on the Results of Audit of Consolidated Financial Statements by Accounting Auditor and Board of Corporate Auditors
2. Report on the Financial Statements for the 11th Fiscal Year (August 1, 2021, to July 31, 2022)

Resolutions

Proposal No. 1 Partial amendment to the Articles of Incorporation
Proposal No. 2 Appointment of eight (8) directors
Proposal No. 3 Introduction of a performance share unit plan

- If any amendments are made to the Reference Documents for the General Meeting of Shareholders, the Business Report, or the Non-Consolidated or Consolidated Financial Statements, the amended information will be posted on the Company's website (https://axxzia.co.jp) on the Internet.
- If you attend on the day of the meeting, please submit the enclosed Voting Rights Exercise Form to the receptionist. Also, to save paper, we ask that you bring this Notice of Convocation with you.
- If you wish to exercise your voting rights by proxy, you may exercise your voting rights by appointing one other shareholder with voting rights as your proxy. However, please note that a Proxy Letter for this General Meeting of Shareholders and the Voting Rights Exercise Forms for both yourself and the proxy will need to be submitted.

[Information on disclosure via the Internet]

Pursuant to the provisions of laws and regulations and Article 15 of the Articles of Incorporation, the following matters are not included in this Notice of Convocation, given that the documents listed below are posted on the Company's website (https://axxzia.co.jp/ir/stock/meeting.html) on the Internet.

- Business Report: Status of Stock Acquisition Rights, Etc.
  Systems for Ensuring the Proper Operation of the Company and the Status of Implementation of the Systems
- Consolidated Financial Statements: Consolidated Statement of Changes in Shareholders' Equity, Etc.
  Notes to Consolidated Financial Statements
- Financial Statements: Statement of Changes in Shareholders' Equity, Etc.
  Notes to Non-Consolidated Financial Statements

The Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor and Board of Corporate Auditors include the documents provided in this Notice of Convocation and the following documents of the Business Report on the website above: the Status of Stock Acquisition Rights, Etc., Systems for Ensuring the Proper Operation of the Company and the Status of Implementation of the Systems, Consolidated Statement of Changes in Shareholders' Equity, Etc., Notes to Consolidated Financial Statements, Statement of Changes in Shareholders' Equity, Etc., and Notes to Non-Consolidated Financial Statements.

Information on the Exercise of Voting Rights

The right to vote at General Meetings of Shareholders is an important right of all shareholders. Please exercise your voting rights after reviewing the Reference Document for the General Meeting of Shareholders shown below.
There are three ways to exercise your voting rights, as described below.



If you are attending the General Meeting of Shareholders

Please submit the enclosed Voting Rights Exercise Form to the receptionist at the meeting.

Day and time

Oct. 24, 2022 (Mon.)
2:00 pm
(Reception starts: 1:30 pm)



If you are exercising your voting right in writing (by mail)

Please indicate your approval or disapproval of each proposal on the enclosed Voting Rights Exercise Form and mail it without a stamp.

Exercise deadline

Receipt before 7:00 p.m.
Oct. 21, 2022 (Fri.)



If you are exercising your voting right via the Internet

Please follow the instructions on the next page to enter your approval or disapproval of each proposal.

Exercise deadline

Entry before 7:00 p.m.
Oct. 21, 2022 (Fri.)

Information on How to Fill Out the Voting Rights Exercise Form

Please enter your approval or disapproval of the proposals here.

Proposal No. 1 and No. 3

- If you agree >> Put circle (○) in the Agree column.
- If you disagree >> Put circle (○) in the Disagree column.

Proposal No. 2

- If you agree with all nominations >> Put circle (○) in the Agree column.
- If you disagree with all nominations >> Put circle (○) in the Disagree column.
- If you disagree with some nominations >> Put circle (○) in the Agree column and fill in the number(s) affixed to the candidates who you do not agree with nominating.

*This is an image of the Voting Rights Exercise Form.
If you exercise your voting rights both by mail (postal mail) and via the Internet, the exercise of voting rights via the Internet will be treated as the valid exercise of voting right. If you exercise your voting rights more than once via the Internet, the last vote will be treated as the valid exercise of voting right.

Information on How to Exercise Voting Rights via the Internet, Etc.

How to scan a QR code

You can log in to the voting website without entering the login ID and temporary password indicated on the Voting Rights Exercise Form.

1. Please scan the QR code on the Voting Rights Exercise Form.



* “QR Code" is a registered trademark of DENSO WAVE Incorporated.

2. Please follow the instructions on the screen to enter your approval or disapproval.



You can only log in once using the QR code.
If you wish to exercise your voting rights again, or if you wish to exercise your rights without using the QR Code, please refer to "How to enter your login ID and temporary password" on the right.

How to enter your login ID and temporary password

Website for exercising your voting right: https://evote.tr.mufg.jp/

1. Please access the website for exercising voting rights.

2. Enter the "login ID and temporary password" indicated on the Voting Rights Exercise Form and click on the button.



Enter [Login ID and Temporary Password]

Click [Login]

3. Register a new password.



Enter [New password]

Click [Send]

4. Please follow the instructions on the screen to enter your approval or disapproval.

*The operation screen is an image.

If you have any questions about how to exercise your voting rights via the Internet using a computer, smartphone, please call the phone number on the right.

Help Desk, Securities Agency Department,
Mitsubishi UFJ Trust and Banking Corporation
0120-173-027
(Toll free / Reception hours: 9:00 to 21:00)

Reference Material for the General Meeting of Shareholders

Proposal No. 1 Partial amendment to the Articles of Incorporation

1. Reason for proposal

The Company proposes the following amendments to the Articles of Incorporation in accordance with the introduction of the electronic provision system of materials for the General Meeting of Shareholders in accordance with the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019), which entered into force on September 1, 2022.

(1) Article 14, Paragraph 1 of the Proposed Amendment states that the Company shall take steps to electronically distribute information such as the contents of the Reference Material for the General Meeting of Shareholders.

(2) Article 14, Paragraph 2 of the Proposed Amendment states that the Company shall include a provision limiting the scope of matters to be included in the documents to be delivered to shareholders who have requested it.

(3) The provision for Internet disclosure and the deemed provision of Reference Material for the General Meeting of Shareholders, etc. (Article 15 of the current Articles of Incorporation) shall be deleted as it is no longer necessary.

(4) The Company shall enact a Supplementary Provision regarding the effect of the aforementioned deleted provision that shall be deleted once the effective period has expired.

In addition, the Company proposes to newly establish Article 45 of the Proposed Amendment, which states that the Company may purchase treasury stock and distribute dividends from surplus by resolution of the Board of Directors, to implement capital and dividend policies more flexibly. The Company also proposes to delete Article 7 of the current Articles of Incorporation, which duplicates a portion of Article 46, and to add Article 46, which states that the Company may establish a separate record date for dividends from surplus in addition to the year-end and interim record dates.

2. Details of change

Details of the change are as follows.

(Underlined parts indicate changes.)

Current Articles of Incorporation	Proposed Amendment
(Acquisition of treasury stock) Article 7 The Company may acquire treasury stock through market transactions, etc. by resolution of the Board of Directors.	<Delete>
Article 8 – Article 14 <Text omitted>	Article 7 – Article 13 <Same as current>
(Internet disclosure and deemed provision of Reference Material for the General Meeting of Shareholders, etc.) Article 15 The Company may deem that it has provided information to be stated or indicated in the Reference Material for the General Meeting of Shareholders, Business Report, Financial Statements, and Consolidated Financial Statements with regard to the convocation of a General Meeting of Shareholder by disclosing such information via the Internet in accordance with the applicable Ordinance of the Ministry of Justice.	<Delete>
<Newly establish>	(Measures for electronic provision, etc.) Article 14 When convening a General Meeting of Shareholders, the Company shall take steps to make the information contained in the Reference Material for the General Meeting of Shareholders, etc., available electronically. 2. The Company may choose not to include all or part of the matters specified in the Ordinance of the Ministry of Justice, for which electronic provisioning steps are taken, in the document sent to shareholders who have requested the documents be delivered by the record date for exercising voting rights.
Article 16 – Article 45 <Text omitted>	Article 15 – Article 44 <Same as current>
(Year-end dividend) Article 46 The Company shall pay cash dividends ("year-end dividends") to shareholders or registered share pledgees listed or recorded in the final shareholder registry as of the last day of July each year by resolution of the General Meeting of Shareholders.	<Delete>

Current Articles of Incorporation	Proposed Amendment
<Newly establish>	(Decision-making body for dividends from surplus, etc.) Article 45 The Company may determine the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including the distribution of surplus, by resolution of the Board of Directors, except as otherwise provided by laws and regulations.
(Interim dividends) Article 47 The Company may, by resolution of the Board of Directors, pay interim dividends under the provisions of Article 454, Paragraph 5 of the Companies Act (hereinafter referred to as "interim dividends") to shareholders or registered share pledgees appearing or recorded in the final shareholder registry as of the last day of January each year.	<Delete>
<Newly established>	(Record date for dividends of surplus) Article 46 The record date for the Company's year-end dividend shall be July 31 of each year. 2 The record date for the Company's interim dividends shall be January 31 of each year. 3 The Company may pay dividends of surplus other than those described in the preceding two paragraphs by setting a record date.
Article 48 – Article 49 <Text omitted>	Article 47 – Article 48 <Same as current>
<Newly establish>	(Supplementary Provisions) (Transitional Measures for Electronic Provision of Materials for General Meetings of Shareholders) Article 49 Article 15 of the Articles of Incorporation (Internet disclosure and deemed provision of Reference Material for the General Meeting of Shareholders, etc.) shall remain in effect for the General Meeting of Shareholders scheduled to take place within six months of September 1, 2022. 2 The provisions of this Article shall be deleted six (6) months after September 1, 2022, or three (3) months after the date of the General Meeting of Shareholders referred to in the preceding paragraph, whichever is later.

Proposal No. 2 Appointment of eight (8) Directors

The terms of office of all eight (8) of the Company's Directors will expire at the conclusion of this General Meeting of Shareholders, and we request that the eight (8) Directors be re-elected.

The following are the candidates for Directors. Of these, Mr. Yujiro Arakawa and Ms. Reiko Akemine are candidates for Outside Director.

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
1	Dan Taku (June 18, 1966)	April 1998: Joined AJIS Co., Ltd. February 2002: Joined MORSON JAPAN Co., Ltd. April 2003: Established FEERIQUE Co., Ltd. Appointed as Representative Director August 2010: Established Ingame Co., Ltd. Appointed as Representative Director September 2011: Established Online Game Japan Co., Ltd. Appointed as Director December 2011: Established AXXZIA Inc. Appointed as President (current position) June 2014: Established Eagle Finance Inc. Appointed as Director (current position) December 2017: Established Creative Technology Industrial Limited Appointed as Director (current position) April 2018: Established BEAUTIC, Inc. Appointed Representative Director April 2018: Appointed as Chairman of the Board of Xiaozi Cosmetic (Shanghai) Inc. May 2018: Appointed as Chairman of the Board of AXXZIA (Hong Kong) International Limited (current position) March 2019: Established Soui Kokusai Co., Ltd. Appointed as Representative Director (current position) February 2020: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. (current position) April 2022: Appointed as President of Huit Laboratories, Inc. (current position) (Current position and responsibilities) President (Important concurrent positions) Director, Xiaozi Cosmetic (Shanghai) Inc. Chairman of the Board, AXXZIA (Hong Kong) International Limited President, Huit Laboratories, Inc.	3,035,000 shares

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
2	Wang Xiaowei (common name: Xiaowei Amano) (October 17, 1983)	April 2005: Joined Vmark International Co., Ltd. February 2006: Joined Tenso Kogyo Co., Ltd. August 2009: Joined FEERIQUE Co., Ltd. Appointed as Director August 2010: Established Ingame Co., Ltd. Appointed as Director August 2010: Appointed as Director of APLA Co., Ltd. September 2011: Appointed as Representative Director of Online Game Japan Co., Ltd. December 2011: Appointed as Director of AXXZIA Inc. June 2014: Established Eagle Finance Inc. Appointed as Representative Director (current position) December 2017: Established Creative Technology Industrial Limited Appointed as Representative Director (current position) April 2018: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. (current position) May 2018: Appointed as Director of AXXZIA (Hong Kong) International Limited August 2018: Appointed as Vice President of AXXZIA Inc. (current position) March 2019: Appointed as Director of Soui Kokusai Co., Ltd. (current position) August 2022: Appointed as Senior Managing Director of Huit Laboratories, Inc. (current position) (Current position and responsibilities) Vice President in charge of Marketing Department (Important concurrent positions) Director, Xiaozi Cosmetic (Shanghai) Inc. Director, AXXZIA (Hong Kong) International Limited Senior Managing Director, Huit Laboratories, Inc.	3,035,000 shares
3	Wu Jun (September 20, 1985)	February 2009: Joined FEERIQUE Co., Ltd. August 2010: Appointed as Auditor of Ingame Co., Ltd. September 2011: Appointed as Auditor of Online Game Japan Co., Ltd. April 2018: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. May 2018: Appointed as Director of AXXZIA (Hong Kong) International Limited (current position) August 2018: Appointed as Director of AXXZIA Inc. February 2020: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. (current position) August 2021: Appointed as Managing Director of AXXZIA Inc. (current position) (Current position and responsibilities) Managing Director in charge of Overseas Subsidiaries (Important concurrent positions) Director, Xiaozi Cosmetic (Shanghai) Inc. Director, AXXZIA (Hong Kong) International Limited	1,580,000 shares
4	Zhang Hui (April 28, 1983)	June 2012: Joined FEERIQUE Co., Ltd. May 2018: Joined AXXZIA Inc. June 2019: Appointed as Director of AXXZIA Inc. August 2021: Appointed as Managing Director of AXXZIA Inc. (current position) August 2022: Appointed as Senior Managing Director of Huit Laboratories, Inc. (current position) (Current position and responsibilities) Managing Director in charge of Domestic Sales Department and Overseas Sales Department (Important concurrent positions) Senior Managing Director, Huit Laboratories, Inc.	—

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
5	Masahiro Yoshida (April 18, 1958)	April 1981: Joined Marubeni Corporation October 1991: Appointed as General Manager of Istanbul Branch of Marubeni Corporation October 1995: Seconded to and appointed as General Manager of Osaka Branch, Marubeni Chemix Corp. February 2007: Seconded to and appointed as Director of Jurlique Japan Co., Ltd. March 2009: Appointed as Representative Director of Jurlique Japan Co., Ltd. June 2014: Joined AXXZIA Inc. August 2018: Appointed as Director of AXXZIA Inc. (current position) April 2022: Appointed as Director of Huit Laboratories, Inc. (current position) (Current position and responsibilities) Director and General Manager of Manufacturing Department (Important concurrent positions) Director of Huit Laboratories, Inc.	—
6	Yasuhito Fukui (October 29, 1965)	April 1988: Joined The Daiwa Bank, Limited (currently Resona Bank, Limited) July 1998: Joined The Nomura Trust & Banking Co., Ltd. October 2015: Joined AEON Bank, Ltd. September 2018: Joined AXXZIA Inc. June 2019: Appointed as Director of AXXZIA (current position) April 2022: Appointed as Auditor of Huit Laboratories, Inc. (current position) (Current position and responsibilities) Director in charge of Administration Department (Important concurrent positions) Auditor of Huit Laboratories, Inc.	—
7	Yujiro Arakawa (November 3, 1971)	April 2000: Joined Kitahama Partners January 2009: Appointed as Partner of Kitahama Partners January 2016: Appointed as Representative Partner of Kitahama Partners (current position) June 2019: Appointed as Outside Director of AXXZIA Inc. (current position) (Important concurrent positions) Representative Partner of Kitahama Partners	—
8	Reiko Akemine (August 23, 1958)	October 1990: Joined Emas Co., Ltd. June 2000: Joined C'bon Cosmetics Co., Ltd. June 2005: Executive Officer and General Manager of Administrative Department in charge of Systems of C'bon Cosmetics Co., Ltd. February 2007: General Manager of Sales Headquarters of C'bon Cosmetics Co., Ltd. June 2008: Director in charge of Sales Promotion Department of C'bon Cosmetics Co., Ltd. June 2013: Director and Executive Officer in charge of Direct Sales Department of C'bon Cosmetics Co., Ltd. July 2016: Joined M. H. Group, Ltd. September 2016: Appointed as Vice President of M. H. Group, Ltd. September 2017: Appointed as Representative Director and President of M. H. Group, Ltd. (current position) October 2021: Appointed as Outside Director of AXXZIA Inc. (current position) (Important concurrent positions) President and Representative Director of M. H. Group, Ltd.	—

(Notes)

1. There is no special interest between each candidate for Director and the Company.
2. Vice President Wang Xiaowei (common name: Xiaowei Amano) is the spouse of President Dan Taku.

3. Mr. Yujiro Arakawa and Ms. Reiko Akemine are candidates for outside director. The Company has notified the Tokyo Stock Exchange of the director nominees as independent directors as required by the Exchange, and intends to continue to designate them as independent directors if they are appointed as directors.
4. Mr. Yujiro Arakawa is an attorney with extensive experience and broad knowledge who provides advice and supervision based on his practical experience. Mr. Arakawa is expected to monitor and supervise the Company's management from a neutral and objective perspective, contributing to the enhancement of its corporate value. As a result, the Company has determined that Mr. Arakawa is qualified for the position of Director and proposes to keep him on the board. Mr. Arakawa was appointed as the Company's Outside Director in June 2019 and has served for three (3) years. Mr. Arakawa has never previously been involved in the management of a company (including foreign companies) in any capacity other than as an Outside Director or Outside Auditor, but the Company believes that he can appropriately perform his duties as an Outside Director for the reasons stated above.
5. Ms. Reiko Akemine has gained knowledge, experience, and a high level of insight as a corporate manager, including serving as President and Representative Director of M. H. Group since September 2017. We nominate Ms. Akemine as a candidate for Outside Director of the Company in the belief that, by utilizing her expertise, she will continue to provide useful opinions and candid suggestions to ensure the soundness of the Company's management decisions and strengthen management supervision. Ms. Akemine was appointed as the Company's Outside Director in October 2021 and has served for one (1) year.
6. Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mr. Yujiro Arakawa and Ms. Reiko Akemine to limit their liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages under the said agreement is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, and the Company plans to continue the said agreement with them if their reappointment is approved.
7. As stipulated in Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into a liability insurance contract for Officers, etc. with an insurance company. An outline of the contents of said insurance contract is shown on page 28 of the Business Report. If each director candidate's election is approved, each director candidate will remain insured under the aforementioned insurance policy, and the aforementioned insurance policy is scheduled to be renewed with the same contents at the next renewal.

Proposal No. 3 Introduction of a performance share unit plan

The Company's Board of Directors resolved at the General Meeting of Shareholders on October 23, 2015, that the maximum amount of compensation for Directors shall be limited to 500 million yen per year. However, the Company would like to revise the compensation terms for the Company's directors (excluding outside directors) ("Eligible Directors") to provide them with incentives to continuously increase the Company's corporate value and to further promote value sharing with shareholders. To that end, we request your approval to implement a new Performance Share Unit (PSU) plan (the "Plan") for the Eligible Directors.

Furthermore, the Company's Board of Directors will determine the specific timing and allocation of payments to each Eligible Director within the above scope of compensation and in accordance with the details set forth below.

There are currently eight (8) directors (including two (2) outside directors). If Proposal 2 is approved and passed as proposed, there will still be eight (8) directors (including two (2) outside directors).

1. Outline of the Plan

This is a performance-linked compensation plan under which the Company's Board of Directors establishes numerical performance targets in advance over a period to be determined by the Board of Directors (the "Evaluation Period"; the initial Evaluation Period shall be the two (2) fiscal years from the fiscal year ending July 31, 2023 to the fiscal year ending July 31, 2024), and grants a number of shares of the Company's common stock calculated in accordance with the degree of achievement of said numerical targets as compensation to Eligible Directors. As a result, under this Plan, shares of the Company's common stock will be distributed based on the degree of achievement of numerical performance targets. However, at the time of the plan's introduction, it has not been determined whether such shares will be delivered to each Eligible Director, nor the number of shares to be delivered.

2. Details of Compensation under the Plan

(1) Calculation method of compensation under the Plan

The number of shares of the Company's common stock to be delivered to each Eligible Director under the Plan will be determined by multiplying (i) the number of shares set for each position of the Eligible Director, (ii) the degree of achievement of numerical performance targets determined by the Company's Board of Directors, and (iii) the service period ratio.

The Company will pay monetary compensation claims to each Eligible Director in proportion to the number of such shares of the Company's common stock. Then, in exchange for each Eligible Director’s contribution in kind of such monetary compensation claims, the Company will allot shares of the Company’s common stock. The amount to be paid in for the shares of the Company’s common stock to be allotted will be determined by the Board of Directors based on the closing price of the common stock in ordinary transactions on the Tokyo Stock Exchange on the business day immediately preceding the Board of Directors’ date of resolution of such allotment (if no transaction is effected on the same day, then the closing price of the immediately preceding trading day), to the extent not particularly favorable to the Eligible Directors.

The above-mentioned number of shares will be calculated using the formula below.

[Formula]

Final number of delivered shares = base number of delivered shares (i) × achievement rate of performance targets (ii) x service period ratio (iii)

(i) The base number of delivered shares shall be determined by the Company’s Board of Directors in accordance with the position of the Eligible Director.

(ii) The achievement rate of performance targets shall be based on the degree of achievement of the growth rate of the operating profit target for the fiscal year ending July 31, 2024 relative to the amount of operating profit for the fiscal year ended July 31, 2022 (54.2% year-over-year growth from the fiscal year ended July 31, 2022) set as the standard for 100% achievement. The degree of achievement of the operating profit growth rate for the fiscal year ending July 31, 2024 relative to the fiscal year ended July 31, 2022 (79.5% to 200%) shall be used as the evaluation index. However, if as a result of calculation, the achievement rate is less than 79.5%, then it shall be deemed as 0% achievement, and if the achievement rate is 200% or more, it shall be deemed as 200% achievement.

If the Company's business expands during the evaluation period as a result of the acquisition of another company's shares to form a subsidiary, the impact on operating profit for the fiscal year ending July 2024 will be discounted to calculate the achievement rate of performance targets, and the achievement rate of operating profit growth against the fiscal year ended July 2022 will be used as the evaluation indicator.

(iii) The service period ratio shall be the ratio of the number of months in office divided by the number of months in the evaluation period.

(2) Upper limit of compensation under the Plan

The total number of shares that the Company shall deliver to Eligible Directors under the Plan after the end of the evaluation period shall not exceed 100,000 shares. The total amount to be paid (including monetary compensation claims) shall not exceed 500,000,000 yen.

(3) Reasons for forfeiture of the right to receive compensation under the Plan

Eligible Directors shall forfeit the right to receive compensation under the Plan in the event of certain misconduct as determined by the Board of Directors, retirement from office for certain reasons as determined by the Board of Directors, or other events.

(4) Adjustment due to reverse stock split, stock split, etc.

If the total number of the Company’s issued shares decreases due to a reverse stock split or a stock split (including gratis allotment of shares; the same shall apply hereafter) before the delivery of shares or payment under the Plan, the number of shares for the Plan’s calculation shall be adjusted by multiplying the number of issued shares by the reverse stock split or stock split ratio.

A summary of the details of the Company's policy for deciding the details of compensation for each director is provided in the Business Report (pg. 28). However, subject to the approval of this proposal, the Company has resolved to change the content of the policy at its Board of Directors’ meeting on September 14, 2022. An outline of the policy that will be used to

determine how much each director will be paid after the change is set forth in the Reference Material for the General Meeting of Shareholders (pg. 16). The Company believes the proposal's content is necessary and appropriate to determine the compensation for each director in accordance with the revised policy.

Subject to the approval of this proposal, the Company intends to apply the same Plan described above to its employees (in certain managerial positions).

(Reference) Outline of the Company's New Executive Compensation Plan

At its meeting on September 14, 2022, the Company's Board of Directors resolved to seek shareholder approval for Proposal No. 3, "Introduction of a performance share unit plan."

The following is an outline of the details of the policy for determining the content of the new individual compensation of Directors if Proposal No. 3, "Introduction of a performance share unit plan," is approved at this General Meeting of Shareholders.

Outline of the details of the policy for determining the content of individual director compensation

1. Basic policy

   The Company's director compensation system is linked to shareholder returns to fully function as an incentive to sustainably increase corporate value. When determining individual director compensation, it is set at a level appropriate to their positions and responsibilities.

   Executive directors are paid long-term incentive-type non-monetary compensation (performance-linked stock compensation) in addition to base compensation, which is fixed compensation, to motivate them to achieve medium- and long-term goals. Outside directors and corporate auditors who are in charge of supervisory functions are only paid a base salary in consideration of their responsibilities.

2. Policy on determining the amount of individual basic compensation (monetary compensation)

   The Company's directors are paid a fixed monthly compensation as basic compensation, which is determined by comprehensively taking into account their positions, responsibilities, and years in office, while also considering the standards of other companies, the Company's business performance, and employee salaries.

3. Policy on determining the content of non-monetary compensation (including performance-linked compensation, etc.) and the calculation method for the number of shares

   The Company's non-monetary compensation for Directors (including performance-linked compensation) is delivered after the fact. The Company sets multiple evaluation indices in advance for multiple fiscal years, including the fiscal year in which the payment is to be made, as the period subject to evaluation. The Company calculates the payment rate after the end of the period subject to evaluation based on the achievement rate of each evaluation index, using the results of the fiscal year separately determined as the starting point for calculation. Following the conclusion of the evaluation period, the Company delivers shares of its common stock to each eligible Director, increasing or decreasing the number of shares in accordance with this payment rate.

   The operating profit growth rate is used as the evaluation index, and target performance indices and their numerical values are set during the planning process to be consistent with the medium-term management plan.

4. Policy for determining the amount of monetary compensation and the ratio of non-monetary compensation (including performance-linked compensation)

   The ratio of each compensation type will be determined in such a way that it is appropriate to motivate employees to contribute to the sustainable enhancement of the Company's corporate value, taking into account their positions, responsibilities, achievements, number of shares held, trends at other companies of similar business scale, and other factors.

5. Matters concerning the determination of details of individual director compensation

   The authority to determine the specific details of each individual Director's compensation shall be delegated to the Representative Director by resolution of the Board of Directors. The nature of such authority shall be the grant of monetary compensation claims for each Director's base compensation and stock-based compensation. The reason for the delegation is that the Company has determined that, in terms of base compensation, it is appropriate for the Representative Director to evaluate each Director's responsibilities in light of the Company's overall business performance, and that, in terms of stock-based compensation, the Representative Director will appropriately grant monetary compensation claims in accordance with the relevant stock-based compensation plan. To ensure the Representative Director exercises his authority properly, the Board of Directors shall consult with the Compensation Committee on the draft and obtain its report, and the Representative Director to whom such authority has been delegated must consider the contents of the report before making a decision.